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SMILING SUN FRANCHISE PROGRAM

ANNUAL PROGRESS REPORT
OCTOBER 1, 2007 – SEPTEMBER 30, 2008

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ACRONYMS

BAMANEH	Bangladesh Association for Maternal and Neonatal Health
BCCP	Bangladesh Centre for Communications Programs
CBSG	Capacity Building Services Group
CWFD	Concerned Women for Family Development
EPI	expanded program of immunization
FMO	Franchise Management Organization
FP	family planning
GOB	Government of Bangladesh
MCH	maternal and child health
MFRR	monthly financial reconciliation reports
MIS	management information system
NGO	nongovernmental organization
NSDP	NGO Service Delivery Project
PDSA	Plan-Do-Study-Act
QMS	quality monitoring and supervision
RFA	request for application
SSFP	Smiling Sun Franchise Program
UPHCP	Urban Primary Health Care Project

EXECUTIVE SUMMARY

The Smiling Sun Franchise Program (SSFP) has achieved noteworthy success during the first year of implementation and continues to progress towards establishing a financially-viable social franchise model. During the period covered by the Year 1 work plan, the Smiling Sun Franchise Program was in the build phase of the "build, operate, and transfer" model. By the end of Year 1, all franchise systems — the franchisor, nongovernmental organization (NGO) sub-franchisors, and clinic franchises — have been established. Operation guidelines, service delivery protocols, and standards and management procedures have been developed. Each level of the franchise system has created and adapted a comprehensive business plan, with a clear approach for recovering operational costs and a strategy for cross-subsidization, so that the poorest of the poor can be served. During Year 1, 25 SSFP clinics have been converted and inaugurated.

SECTION I

Performance Outcome 1: Smiling Sun Franchise Manager Established

Structuring Franchise System Roles and Responsibilities

As a critical step towards launching the program, SSFP finalized the roles and responsibilities between the franchisor, the NGO sub-franchisors, and the clinic franchises and held a series of training courses for the franchisor, NGO sub-franchisors, and franchise clinic staff during the first quarter of project implementation. The aim during Year 1 was to establish a strong central franchisor that develops clinic models, sets franchise standards and operating procedures, ensures compliance, and provides common services for sub-franchisors and clinic franchises.

The table below shows the division of some of the management responsibilities within the Smiling Sun franchise context. This division of responsibilities in the franchise creates a sense of ownership of the franchise, interdependency among all members of the franchise, and reduces the management burden on each party. The shared management duties allowing the franchisees (NGOs and clinics) the ability to gradually gain experience in management of a business is an added benefit of the franchise model.

Management Responsibilities within the Smiling Sun Franchise

Franchisor	Franchisees
Brand and trademark registration/compliance	Safekeeping of brand and trademark
Business concept (price/salary ranges)	Price and salary setting including some flexibility in staffing
Bulk purchasing	Pricing/sales of quality products
Accounting system for Smiling Sun network	Accounts for franchise outlet
Comprehensive advertising campaigns	Local promotion

Market Survey

To inform the development of the business plan, the Capacity Building Services Group (CBSG) conducted a survey of participating NGOs, their clinics and clients, and other service providers to determine client services needs, preferences, and willingness to pay. CBSG also conducted focus groups to test various service package options, critical service gaps and ways to address them, ways to address gender and corruption and reach youth, and consumer definitions of quality. CBSG also conducted a review of NGO operating policies and managerial, financial, and clinical procedures. A summary of CBSG's findings indicate:

- The main reasons for choosing a health facility for services was the distance from home or work, quality of the services and cost.
- Currently SSFP clinics are perceived as good at providing family planning (FP), expanded program of immunization (EPI), maternal and child health (MCH), and limited curative care, and not as good at advanced care that requires laboratory work-up, advanced diagnostics, or surgery.
- People of all income categories use SSFP for FP and EPI service; however wealthier clients seek more advanced care from private doctors.
- Most respondents believe that SSFP service providers are respectful, provide care at a relatively low cost, and are conveniently located.
- The vast majority of people are willing to pay for services from SSFP clinics — this was true among all income groups. However, the amount people were willing to pay varied by income group and service type. Generally, people were not willing to pay more for FP and EPI services, but were willing to pay more for advanced care.
- There's a need to rationalize the number and type of staff in each type of NGO clinics. Non-service providers that do not generate revenue represent a significant amount of clinics expenses, and many NGOs have weak financial management systems.

Developing a Franchise Business/Sustainability Plan

During Quarter 3, SSFP staff, with assistance from Michael Amies from Sibley International, Beth Fischer from IntraHealth, and Bill Kedrock from Chemonics, worked with franchisees to develop a total of 349 business plans, one for each network clinic. SSFP provided training to franchisees in the use of specific tools intended to build lasting capacity by developing requisite business practices. SSFP developed computerized worksheets as part of an automated program to guide the business plan development and to help complete the financial projections for the partnering NGOs. Each NGO was given two templates for developing the narrative component of the business plan for individual clinics and NGOs. SSFP members provided continuous technical assistance to NGO staff to help with the business plans design. This complicated exercise underscores the willingness of franchisees to adopt a more modern business model to provide health care services in a sustainable manner while maintaining a social mission. Components of the business plans include:

- Clinic and satellite description

- Clinic organogram
- Service listing and prices
- Financial performance (income and expenses)
- Financial projections
- Utilization rate
- Market analysis, including competitor analysis
- Staff development plan
- Quality monitoring plan
- Marketing plan

NGO business plans were part of the response required of the NGOs for the second round of NGO service delivery grants.

Build Team and Stakeholder Understanding of Franchising

During Year 1, SSFP staff, led by the franchise manager, organized a series of NGO consultation workshops. The purpose was to engage key personnel of partner NGOs in discussions about the SSFP business model, to agree on one common platform for sharing SSFP strategies and objectives, to orient them through the franchise process, to increase familiarity with a new business model, and to get their general feedback on project operations and progress to date. A series of two-day workshops were held from January 2-10, 2008.

The program officially launched in a ceremony led by the secretary of health, the deputy chief of mission from the American Embassy, and the USAID mission director, on April 17, 2008. This important activity created an organizational development readiness among the partner NGOs to seek additional support from the relevant stakeholders and potential donors.

Most recently, in early August, SSFP hosted a workshop with NGOs to discuss Year 1 accomplishments, challenges, and solutions to common challenges that NGOs face. This workshop presented a forum for NGOs to share their experiences and strategies of transitioning to SSFP franchisees.

Legal Registration of the Franchisor

Registering the franchisor, and other issues related to franchise registration has taken longer than initially anticipated. SSFP has decided to register the franchisor as a trust and convert the registration to a non-profit company later. We decided to address registration in this way because registering a chapter 28 company (non-stock, nonprofit) can take between six months and a year because of legal requirements and the especially exhaustive investigation the government of Bangladesh (GOB) undertakes to grant special (nonprofit) status to any company; as a result, counting with an intermediate way solution, in this case getting the franchisor registered as a trust, became of the essence. The registration process for the trust has been delayed because during the name registration — a prerequisite for the whole company registration process — lawyers

found out, after significant research and deliberation, that the word "franchise," initially proposed in the name, cannot be used for a nonprofit. Additional delays were caused because franchise law is not addressed by the Bangladeshi legal code, per se, and significant legal research, discussion, and consultations needed to take place to ensure that franchise agreements and other documents are done in a way that will support the goals of SSFP in the future. Registration will be finalized in Month 1 of Year 2**.** In an effort to increase the franchisor's access to potential markets, strategic partners, and donors, SSFP's project leadership is also considering registering the franchise as a nonprofit entity in the United States.

Brand and Services Promotion

Recognizing the importance of strategic communications in increasing the use of SSFP service outlets and creating brand equity for Smiling Sun, the franchise development team used a competitive bidding process to select an advertising agency. After reviewing nine requests for proposals, SSFP's evaluation committee selected the Bangladesh Centre for Communications Programs (BCCP) for the task. BCCP has already commenced work in brand rejuvenation and will roll out its capacity building objectives in the first few months of Year 2. Earlier in Year 1, Chemonics' communication specialist, Jane Gindin, helped the project develop a project communications strategy to guide program communications.

Franchise Operational Guidelines, Systems, and Procedures Developed

To increase the efficiency of Smiling Sun clinic staff and to improve their financial and management systems, SSFP developed a Franchise Development Fund Manual, which outlines all aspects of franchise development and management, including procurement, financial performance, inventory management, and look and layout. The manual was compiled with input from the NGOs, as it will serve as an integral part of franchise management. These policies will comprise living documents that will be adjusted as needed during project implementation.

SSFP has already rolled out the accounting software package to standardize the NGOs' chart of accounts at NGO headquarters and service delivery points. SSFP also finalized the financial review checklist to assess financial and management systems of the clinics and to assess the training needs of staff. The franchise operations team prepared a three-day financial training curriculum and a two-day training outline to be used by project headquarters for effective monitoring for Smiling Sun clinics. The objective is to create a modern cost accounting system that would enable SSFP to exert better financial control and to make sound business decisions around pricing, costs and compensation structures.

Policy, Planning, and Evaluation Manager Mozzammel Hoque developed the franchise policy manual, which incorporates guidelines on issues such as transparency, accountability, quality of care, and monitoring. He also developed SSFP ethical guidelines. With assistance from short-term Consultant Melissa Scudo, the strategic partnerships specialist finalized the two-year resources mobilization plan, which will position the project to secure strategic partnerships and financial support in Year 2.

For maintaining the transparency of financial transactions all the vouchers and related expense documents have been checked prior to approval. For this purpose a guideline has been included in the policy manual titled on "Transparency/ Accountability and Anti-corruption Policy," which is strictly followed.

Development of Governing Council

SSFP has begun the important process of selecting the members of the governing council. The governing council will be composed of chairpersons and executive directors of all NGO sub-franchisors, and will be finalized once the franchisor has been registered. SSFP has begun establishing two of the three governing bodies that will guide various aspects of SSFP. The Franchise Management Organization (FMO) board of directors is required as part of the registration process. We have identified and received agreement for all potential members to participate in the FMO board. There will be five members, three from the business community and two from the NGO membership council, which will serve on a rotating basis. The board of directors is contingent on registering the franchisor. The franchisor membership council composed of senior representatives from the franchisees. We have delayed the formulation of the project advisory committee. The role of this committee was to provide advice on other donor financing, develop public-private partnerships, and advance policy initiatives with the GOB. During Year 1 SSFP staff has individually consulted and met with GOB and donor community representatives to identify common areas for potential collaboration. During these meetings, it became clear that a local organization, such as the franchisor, is required as a valid interlocutor and organizer. Therefore, it was decided to delay consummating this body, until the franchisor registration is accomplished.

SECTION II
Performance Outcome 2: Sustainability of SSFP Strengthened

Improving Franchise Operational Efficiency

The Franchise Development Fund was organized to ensure the continuance of service delivery while SSFP drafted the Franchise Development Plan. Six months of bridge grants were negotiated (and extended for an additional two months) to provide interim funding for NGOs formerly funded by the NGO Service Delivery Project (NSDP). The NGO business plans provided a format to discuss and implement a more realistic staffing pattern, as well as a service mix based on the needs of the target population. In addition, SSFP created a Rapid Franchise Diagnostic Tool to assess and identify organizational development needs that would help NGOs achieve greater management efficiencies.

Increasing Self-Sufficiency

SSFP supported the NGOs in their pursuit of self-sufficiency by providing a Franchise Development Fund manual to guide the solicitation materials for the NGOs. Towards this

end, SSFP included the following items in the manual and request for applications (RFA) process:

- One-year performance-based grants with incremental funding
- Required franchise training and attendance at the post-RFA release writing workshop
- Cost share was required and expected to be met through increasing cost recovery, which will drive the amount that a grant declines and cash payments of annual franchise membership fees
- NGOs must demonstrate that they meet the eligibility criteria of membership to the franchise
- Smiling Sun services do no overlap with services funded by the Health, Nutrition, and Population Sector Programme and city corporations
- Monthly reporting on fees operating costs, client intake (disaggregated by income, gender, and type of service provided), inventory (in clinics and health marts), and human resource utilization
- Quarterly reporting

SSFP franchisees are aiming to keep 93 percent of the income they capture from service fees, reverting 7 percent to the franchisor. Each franchisee has provided a specific plan for use of program income in their business plans.

SECTION III

Performance Outcome 3: Smiling Sun Franchise Expanded

Expansion of Service Volume and Client Base

During its first year, SSFP opened 25 Smiling Sun Franchise clinics. The first three pilot clinics were chosen for conversion based on location, the franchisees' cost recovery rate, and the franchisees' level of responsiveness. The three pilot clinics were Keranigong (Bamenah), Tongi (Swarnivar), and Rayer's Bazar. These clinics underwent a transformation, including physical appearance, marketing design, and business systems. The launching included a rally, road show, ribbon-cutting ceremony, various clinical and cultural activities, and a raffle draw. Government officials and local leaders attended the launch ceremonies. The mayor of Dhaka City Corporation was the chief guest for the inaugural session of the Rayer's Bazar clinic.

The Keranigong clinic before renovations

The Keranigong clinic after renovations

The photos above clearly demonstrate the stark contrast between the pre- and post-transformation look of the reception area in the Keranigong clinic. Clients and Smiling Sun service providers welcomed the changes and expressed their satisfaction with the new image.

Consistent with our approach of expanding the Smiling Sun network by increasing the number of people who use services and products, both for fee service clients and the poorest of the poor, SSFP released an RFP to hire a local firm to carry out SSFP brand and services promotion campaign. BCCP won the bid. BCCP will rejuvenate the brand by using the existing well-known logo as a base and make necessary changes to make it easier to manage it visually to make Smiling Sun image more ubiquitous. Additionally, BCCP will develop a brand manual, conduct a local level marketing campaign to increase client flow in converted SSFP clinics, and begin to build the capacity of local level clinic staff to market services.

Clinical Training

Recognizing that effective service expansion relies on the ability to maintain quality, the franchise technical support team, led by Umme Salma Jahan Meena, conducted a training needs assessment to identify the training needed for franchise conversion, the results of which were integrated into the second round of NGO grant funding. During Year 1, 12 training courses were performed by training institutes in the areas of childhood illnesses, safe delivery, and FP resulting in the improvement of health service delivery in the franchise clinics. In addition, SSFP conducted franchise training on clinical service management for three franchisees: Concerned Women for Family Development (CWFD), Swanirvar, and Bangladesh Association for Maternal and Neonatal Health (BAMANEH). The training included managerial aspects of all the components of essential services package, infection prevention, laboratory services, rational drug use, and quality of services. To the extent that it is possible, the Smiling Sun approach to training is to outsource clinical and non-clinical training to local training institutes.

The franchise operations team and the training coordinator are responsible for providing or coordinating most of the training done under SFFP. This year the SSFP team provided

financial management training that included the rollout of Tally, an accounting software package. Prior to this, NGO partners did not have a standard chart of accounts creating inconsistencies from NGO to NGO. All NGO partners received this training. Consistent with our approach of stimulating the local business environment, SSFP uses local training institutes to provide training not related to franchising. NGOs are required to pay for this. For some of the larger NGOs, training was provided by outside vendors and paid with program income. A total of 1,340 NGO participants staff have been trained in Year 1.

Maintenance of Quality of Care

SSFP's approach to quality care is interwoven at the franchisor, franchisee, and clinic levels. In collaboration with the FDT, the franchise operations team developed the Clinical Quality Council and held two council meetings, which were attended by monitoring officers, project managers, selected clinic managers and project directors of all franchisees. During the second meeting, the Council reviewed the status of the quality monitoring and supervision (QMS) in NGO clinics, finalized the revision of QMS indicators, shared the concept of clinical audit and Plan-Do-Study-Act (PDSA) cycle as a problem solving tool, finalized the exit interview questionnaire, spot check for quality at the clinic level, and to come up with a consensus on baseline information about 16 QMS composite indicators. In addition, the team adapted a QMS module and QMS observation job aid. During Year 1, most franchises conducted two rounds of QMS visits. This external audit process will be linked with internal capacity building of the NGOs to monitor and continuously improve quality at the franchise clinics. SSFP is incorporating a dynamic quality concept through the use of quality circles, which empowers clinic staff to monitor, evaluate, and improve quality by addressing relevant situations where they happen. SSFP quality circles are based on the idea that quality is an essential concept to differentiate Smiling Sun facilities from its potential competitors while creating the foundations for enduring client loyalty. SSFP is incorporating and training clinic staff in the use of modern management tools, such as the PDSA cycle (also known as Deming cycle), to provide a tool for quality circles to become operational and effective.

Maintenance of the Management Information System

Monitoring performance is essential to support management to achieve program results. For this purpose the management information system (MIS) team has been maintaining a proper database. It is an ongoing process that allows managers to determine whether an activity is making progress towards its intended results. SSFP's approach to MIS has been to implement a streamlined system that captures essential information for the management the franchise. SSFP has developed several interrelated databases. The first was an access database adapted from NSDP that captures monthly performance information from the 319 SSFP clinics using a consolidated format. Franchisees enter the data and send it to SSFP in an electronically. The data is stored and used for reporting to USAID and the GOB.

The MIS team, led by Monitoring and Evaluation Officer Kamrul Ahsan, also developed a Smiling Sun Clinic visit checklist to capture clinic information being stored in a

database. In addition, the MIS team rolled out orientation meetings to train NGOs in monitoring and evaluation systems. Topics in the training included:

- Data collection tool for MEASURE survey
- Clinic visit checklist and its database
- MCP, Tiahrt, and Helms database
- Revised MIS form
- Errors found in MIS data

SSFP and NGO staff were oriented on how to use the comprehensive clinic visit checklist and its database to capture information electronically regarding franchise operation, marketing, communications, look and layout, clinic management, franchise development, organizational development, brand and service promotion, MIS, administrative, technical support, and to track and include potential success stories. NGOs will also use this checklist and database for the same purpose and send their data to SSFP through e-mail on a regular basis. NGOs were trained on how to use this checklist and database. It will give a clear picture of the clinic in terms of management. This database will also help the managers track clinic visits by concerned staff. Its features will help to analyze the progress of a clinic between the last two consecutive visits.

Also in Year 1, the MIS team developed and launched a Web-based MIS at the converted clinics. The system allows SSFP to capture online data from clinics on a daily basis, generate reports by clinics, NGOs, SSFP, and stakeholders at any time, and ensure uniformity, quality, and accuracy of data among clinics. The collected information includes, services provided, client demographics, inventory control, as well as income generated. Real time reporting of income and other service statistics is related to the corruption (governance) cross-cutting theme where essential aspects of clinic performance can be monitored more closely, and with greater accuracy. The system is structured so clinic performance can be monitored by anyone who has been given access. This system has reduced the amount form people have to complete, and has helped managers track progress toward sustainability targets in their business plans. Two computers will be put in each clinic for this purpose. This system also has a desktop offline solution utility for those sites that have intermittent access to the internet. At the end of the day, data that has been entered can be uploaded to the online Web-based MIS.

Also comprising SSFP's MIS system, the strategic partnership specialist maintains a database that tracks information on potential business partners, the status of their relationship with SFFP, and minutes of the meetings held.

SECTION IV
Program Support and Management

Finalize Project Policies and Procedures Manual

SSFT has collaborated with local labor lawyers to draft and finalize the project policies and procedures manual. In addition, SSFP has been collaborating with the PRICE project to ensure consistency across Chemonics' projects.

Home Office Financial Review

As Chemonics standard practice, an experienced financial and operations compliance manager from the home office reviewed SSFP's financial transactions, documentation, and operational systems. The consultant was impressed with the SSFP systems and the quality of SSFP's financial documents. Minor suggestions were made to further strengthen the system, which have been adapted by SSFP staff.

Program Financial Management

Monitoring financial information is essential to ensuring compliance. It is an ongoing process that allows managers to determine whether program is achieving its goal. SSFP's financial monitoring tool will simulate an electronic dashboard, so that clients and stakeholders can see at a glance all relevant financial information required for proper monitoring and decision making. This tool will be integrated with the web based MIS; therefore, it will also allow the clients and stakeholders access to program information. The financial overview reflects the approved obligation, different funding sources, and the expenditure and cost recovery status of total the network.

This is an interim system. The system is structured so that information can be monitored by anyone who has been given access. This system will help managers track progress toward sustainability targets in their business plans.

Conduct Appropriate Training for Project Administrative and Technical Staff

Various SSFP team members pursued local training programs in their respective fields of work. Staff pursued courses as needed, including those related to accounting, MIS, public health management, good governance, project management, international purchasing and supply chain management, business correspondence, and report writing. A total of 15 employees from SSFP attended outside training in Year 1. In addition to formal training, SSFP staff received technical guidance from short-term technical experts that were engaged in the field. Such training covered areas related to finance, grants management, strategic partnership planning, and franchise development.

SECTION V
Cross-Cutting Themes

Corruption. Smiling Sun has promoted transparency and accountability by articulating franchise standards of business conduct. SSFP has developed a strong MIS system that allows greatly improving clinic revenue control and facilitate product stock monitoring, enhancing transparency, accountability, and greatly facilitating internal and external audits. Additionally, our grant monitoring system, which is being design to operate in sync with the MIS, includes exhaustive revision of program income and expense receipts,

operating as a constant internal audit. We will work to fine tune those systems in Year 2. During Year 1, we have refocused to encompass the broader concept of governance. Apart from the fact that the term corruption insinuates wrong doing, we have learned that there are broader governance issues of which corruption is one issue. Other concerns are the relationship between the NGO board of directors and staff; especially as it relates to budget control and fiduciary responsibility.

Youth. After evaluating program objectives and sustainability implications, the project changed the initial idea of setting up a "Youth Corner" in every clinic for a more service centered option. In doing so, SSFP staff developed and implemented a training program for service providers (doctors and paramedics) to capacitate them to manage young clients. This training was built around the HEADS approach, developed by the World Health Organization specifically to provide those serving the youth with a comprehensive interactive communication tool and methodology.

Also a basic design for a Web site element addressed to the youth was developed during the first year of the project. This will be attached to the current SSFP site, but will provide information relevant to the youth in a tone and manner adapted to fulfill the needs of this particular audience.

Finally, the project also decided to modify the initial approach of developing a hotline addressed to the youth, for the more contemporary and relevant approach of opening a channel for the youth to send queries and maintain dialogs based on text messaging. SSFP is currently in discussions with potential partners interested in carrying out this important activity.

Gender. SSFP developed and applied a tool to assess gender sensitivity of Smiling Sun clinic service providers. This was the first step in determining program needs regarding gender issues. Based on this assessment, SSFP designed and ran training sessions with services providers and monitoring officers to increase their sensibility and awareness of gender issues and use some tools to effectively tackle them.

SECTION VI

Achievements against Performance Monitoring Plan

Smiling Sun clinics made 27.2 million total service contacts during the first year of implementation. The project has achieved targets of most of the indicators while lagged in five service-related indicators (antenatal care, DPT3, Vitamin-A, Pneumonia, and Diarrhea). Nonetheless, 27 percent of all services provided reached the poor (annual projection is also 27 percent), and the cost recovery rate is 35 percent, ahead of the 25 percent annual projection.

Indicator	Baseline	Year 1 Target	Year 1 achievements (Oct 07 to Sept 08)

Indicator	Baseline	Year 1 Target	Year 1 achievements (Oct 07 to Sept 08)
Couple-years of protection in U.S. government-supported programs (in millions of couple-years)	0.90	0.97	1.24
Number of people trained in FP/RH with U.S. government funds	166	TBD	1,049
Number of counseling visits for FP/RH as a result of U.S. government assistance (in millions)	1.65	1.73	1.88
Number of people that have seen or heard a specific U.S. government-supported FP/RH message (in millions)	Not Applicable	Not Applicable	Not Applicable
Number of policies or guidelines developed or changed with U.S. government assistance to improve access to and use of FP/RH services	0	4	6
Number of new approaches successfully introduced through U.S. government-supported programs	0	1	5
Number of U.S. government-assisted service delivery points providing FP counseling or service	15,201	15,368	14,954
Amount of in-country public and private financial resources leveraged by U.S. government programs for FP/reproductive health (in millions US$)	4.97	5.02	5.00
Number of service delivery points reporting stock-outs of any contraceptive commodity offered by the service delivery point	205	Not Applicable[1]	234 (175 for Norplant)
Number of medical and paramedical practitioners trained in evidence-based clinical guidelines	24	TBD	101
Number of postpartum/newborn visits within three days of birth in U.S. government-assisted programs	8,000	8,400	12,714
Number of antenatal care visits by skilled providers from U.S. government-assisted facilities (in millions of visits)	1.17	1.19	1.00
Number of people trained in maternal/newborn health through U.S. government-supported programs	86	TBD	1,028
Number of deliveries with a skilled birth attendant in U.S. government-assisted programs	2,066	2,169	2,470
Number of people trained in child health and nutrition through U.S. government-supported health area programs	2,549	TBD	971
Number of women receiving Active Management of the Third Stage of Labor through U.S. government-supported programs	8000	8,400	12,714
Number of newborns receiving antibiotic treatment for infection from appropriate health workers through U.S. government-supported programs	Not Available	TBD	66,146
Number of newborns receiving essential newborn care through U.S. government-assisted programs	8000	8,400	12,714
Number of cases of child pneumonia treated with antibiotics by trained facility or community health workers in U.S. government-supported programs	161,585	169,664	144,582
Number of children less than 12 months of age who received DPT3 from U.S. government-supported programs	289,801	295,597	271,550

[1] SSFP has no control over the distribution of contraceptive commodities. We will report this data but will not set targets

Indicator	Baseline	Year 1 Target	Year 1 achievements (Oct 07 to Sept 08)
Number of children under 5 years of age who received vitamin A from U.S. government-supported programs	351,648	369,230	233,355
Number of cases of child diarrhea treated in USAID-assisted programs (in millions)	1.98	2.07	1.71
Number of health facilities rehabilitated	Not Applicable	TBD	26
Number of people covered with U.S. government-supported health financing arrangements (in millions)	7.18	7.99	7.3
Number of U.S. government-assisted service delivery points experiencing stock-outs of specific tracer drugs	Not Available	TBD	0
Percentage of U.S. government-assisted facilities providing staff with a written performance appraisal	100%	100%	100%
Assessment of U.S. government-assisted clinic facilities compliance with clinical standards	100%	100%	100%
Case notification rate in new sputum smear positive pulmonary TB cases in U.S. government-supported areas	Not Available	TBD	72
Number of people trained in Direct Observed Therapy, Short Course with U.S. government funding	44	TBD	17
Average population per U.S. government-supported TB microscopy laboratory	71,115	TBD	65,000 (due to abolished slums)
Percent of U.S. government-supported laboratories performing TB microscopy with over 95% correct microscopy results	75%	78%	70%
Percent of cost recovery	25%	25%	35% (As of August 08)
Percent of poor service contacts	26%	27%	27%
Smiling Sun Franchise manager established (milestone indicator) Franchisor registration complete Management contract signed between contractor and franchisor Board of directors and membership council established and meeting regularly Franchise systems, operating procedures, and standards developed Franchise service package developed Systems for tracking sub-franchisor compliance with franchise standards implemented Board meetings and management council meetings held Subcontract signed between contractor and franchisor Staff, management, and financial systems are transferred from contractor to franchisor	Not Applicable	1,2,3,4,5,6	4,5,6
Percent of external funds in SSHF budget	0%	5%	Not Available
Percent of NGOs complying with franchise standards	0%	100%	100%
Percent of NGOs receiving subcontracts from the franchisor	0%	0%	0%
Percent of franchisor's total budget paid by sources other than USAID	25%	30%	Not Applicable

Indicator	Baseline	Year 1 Target	Year 1 achievements (Oct 07 to Sept 08)
Cost per service contact (in Tk)	21.38	TBD	19.95
Percent of NGOs paying franchise fees from non-USAID sources	0%	0%	0%
Total number of clinics (vital and ultra; targets set by static and satellite)	319 8,516	335 8,666	Vital clinic-284 Ultra clinic-035 Satellite- 8,508
Percent of service contacts by franchise option	Not Applicable	TBD	Vital- 89% Ultra- 11%
Total service contacts (in millions)	27.6	29.5	27.2
Average composite quality monitoring system scores for clinics	Not Available	TBD	86 (QMS score given by Franchisees)
Number of clinics with a quality management system in place	319	836	638
Number of monitoring plans prepared by the U.S. government	1	1	2
Number of institutions with improved MIS as a result of U.S. government-assistance	0	TBD	30
Number of institutions that have used U.S. government-assisted MIS system information to inform administrative/management decisions	0	TBD	33
Number of people trained in monitoring and evaluation with U.S. government assistance	0	TBD	61
Number of people trained in strategic information management with U.S. government assistance	0	TBD	212
Number of information gathering or research activities conducted by the U.S. government	0	TBD	3

TBD = to be determined

Summary of Facts

- Total couple years of protection have increased 38 percent compared to baseline. SSFP is analyzing the stock-out situation on a regular basis and has taken several initiatives to improve the situation. A policy of "zero stock-out" was put in place, making available social marketing products and GOB donated products at the same facility, which gave clients the option to go for purchased or donated product. In case there was no donated product available, product for sale could be accessed.

- Clinic performance has relatively increased. As a result, total poor customer contacts have increased compared to the baseline. SSFP has assessed this situation as a positive response from the franchisees (NGOs) which have been in general trying to strengthen its links with the communities they serve.

- SSFP has increased the number of clinics that are actively providing safe (28 to 35) and home delivery (61 to 65). This increase in service supply, explains the favorable demand reaction.

- Regular vitamin-A service contacts are less since GOB has organized several national vitamin-A campaigns during last year.

- High turnover of trained paramedics and medical officers might have caused an antenatal care consultation reduction; additionally during this year this activity was not as heavily promoted as before, however, service promotion in general was not heavily pursued.

- The lion share of ARI treatment comes from community service provider's work. There has been a downward trend for several years as community service providers are increasingly facing fierce competition from village doctors and pharmacies. SSFP has assessed this situation as marketing related and is acting accordingly by designing an intervention to strengthen community work.

- It has been identified that Bangladesh has created throughout the years a strong culture of ORT use. Most kids get initial support from their mothers and only exceptional cases are brought to the clinic or to the community services providers, which could explain a downward trend registered for the last few years. Community services providers also deliver the majority of diarrhea treatments in the SSFP network.

In a great display of team work and capacity to adapt to new demanding situations, SSFP and partnering NGOs jointly developed 349 business plans. This is an important achievement as this arduous capacity building effort did not hamper clinic performance.

In spite of a year of transition from a previous project and adopting a new business model, the Smiling Sun network has been able to maintain service output while increasing the proportion of poor customers served and substantially improving financial sustainability — cost recovery ratio, putting it on the right path to comply with the double-bottom line approach proposed.

ANNEX A
Quarterly Report of Contracts and Grants

General

The NGOs that received funds under the Cooperative Agreement from NSDP until September 30, 2007, were automatically selected to receive bridge grants from SSFP, initially for six months from October 1, 2007, to March 31, 2008, and subsequently through May 31, 2008. During the bridge grants period, the funds received by the NGOs occurred through grant agreements. This represented a critical period, which introduced the NGOs to the mindset required to develop a viable social franchise in the health sector. The NGOs began to believe that self sustainability through franchise development is possible and that a declining level of coverage of operational cost from grants is the cornerstone of the approach.

Smiling Sun NGOs and their clinics will continue to provide ESD services with declining grants and will continue to provide quality service to the target population. The aim is to improve the efficiency of the NGOs, rationalizing the number of franchisees and clinics to make the franchise system more viable.

From March 2008 the RFA process started with the policy to continue with all 30 NGOs (who will be hereinafter called "franchisees") for the first round of funding under the Franchise Conversion Plan. Following a thorough grant award process and negotiations with grantees, the Conversion Agreement signed with all the 30 franchisees in July 2008. The period of agreement was for June 1, 2008, to May 31, 2009.

The following are the planned activities and results of the program:

i) Review of NGO Financial Reports:

Action
This is an ongoing process which continued throughout the reporting period. The NGOs were provided with standard reporting and reconciliation formats for submission of financial reports. After the completion of the bridge grant period in May of 2008, the grantees' submitted the final technical close out report in addition to the regular Monthly Financial Reconciliation Report (MFRR) according to agreement close out requirements. To facilitate the timely completion of MFRR review and complete the close out of Bridge Grant, additional personnel power was engaged in the Contract & Grants Team.

Results
The MFRR of grantees have been reviewed up to July and a part of August 2008. All of the necessary follow up has been carried out with the grantees. The Contract and Grants team is constantly in contact with the grantees and provides mentoring support in resolving any closeout issues.

Compared to the bridge grant period, the franchisees are more consistent and organized in submitting MFRRs, along with the relevant supporting documents.

ii) Disburse Advances after Reconciliation:

Action
As per the bridge grant agreement, funds were already released through 31 May 2008. Out of the Tk 286,484,219 budged for 8 months of bridge grants, SSFP disbursed Tk 278,471,966 — approx. $4,095,175. For the implementation of the program Tk. 275,036,433 (approx. $4,044,653) has been utilized from grants and Tk.3,628,639 — Grants fund Tk. 3,435,533 and bank interest Tk.193,105 — has been refunded by the organizations after adjustments for unallowable cost of Tk.46,620.

Under the Conversion grant phase, Tk. 153,411,867 — approx. $2,256,056 — has already been disbursed to the franchisees to meet the program expenses up to September 30, 2008. In addition to that, the franchisees have been advised to continue financing their program activities from the unspent program income from bridge grants and also from the current month's savings.

Results
The advances up to September 2008 have been made following the process of advance request review, review of financial reports along with vouchers and supporting papers, reviewing the fund requisition with the budget allocation and fund utilization capacity of the organization.

Franchisee reporting and fund utilization efficiency improved in Year 1.

iii) Develop Tools for Financial Monitoring:

Action
The Financial Monitoring tool will be used to provide an at-a-glance financial overview of the entire program. The tool will supply financial information at all program levels from clinic to the aggregate SSFP level. The financial overview will mostly reflect the obligation, funding and expenditure and cost recovery status of the total network. At the same time the user can review the financial status at clinic and NGO levels.

This monitoring tool will simulate an electronic dashboard, so the user can see at a glance all relevant financial information elements required for proper monitoring and decision making. This tool will be integrated with the MIS Web-based system; therefore, it has the potential to grant the client and other stakeholders alike with access to program information. Contracts and Grants team is currently coordinating with different SSFP program areas to make this instrument operational as planned.

Results
Such tools will ensure quality and equitable standards of financial monitoring of the financial activities of the NGOs by the relevant staff of SSFP.

Financial Management of the NGOs will be increased in an equitable approach.

iv) Conduct NGO Financial Management Training:

Action
T requirement of increased understanding and conceptual clarity of relevant clauses under the grant agreement is noted to be a vital issue in the field of effective and efficient financial management. With this clear understanding, a full day workshop was organized on December 2, 2007, with the finance and administration managers of all 30 NGOs. The workshop was attended by all the respective representatives.

Another 2 days workshop in two batches was also organized on July 12-13 and 21-22 on Franchise Conversion Orientation to share the special feature of the new phase of funding and also finalization of MFRR format. The workshop was attended by both the project director and finance and administration manager of each organization.

Results
The FAM had comparatively fair and clear understanding on their duties and responsibilities. The reporting format was finalized with their input, which enables them to adhere to the format easily while reporting. The timeline for sending the financial report, the reconciliation (bank and fund) and requisition of funds was discussed and finalized among all participants.

The appropriate selection of personnel has improved clarity regarding the duties and responsibilities and also the area of allowable and non-allowable expenses.

v) Develop Program Income Plan/Approach:

Action
The NGOs received guidance on improving the utilization of program income to achieve the overall objective of the program. Under the bridge grant phase, program income contributed to the support of the grantees operational expenses and the surplus was being carried forward as cost share under the conversion grant agreement. During the bridge grant period the NGOs generated a total of Tk.103, 422,974 in program income. Out of that amount Tk.80,544,443 was spent for program purposes. The average cost recovery Rate was 29 percent as against the target of 25 percent.

Results
NGO program income partially finances expenses of the organization and contributes in developing the franchise model.

vii) Bridge Grant Closeout:

Action
The bridge grant period ended on May 31, 2008, for all 30 grantees. The grants team provided necessary guidance/instructions to facilitate the process of closeout. NGOs were sufficiently informed about:

- How to close out the unspent grants money at the clinic level
- What should be included in the final report they have to submit
- Proper management of bank interest earned
- The required declarations from the grantees
- A timeframe for completing closeout
- The utilization of unspent program income
- Refund of final unspent grants money

Results
The grantees have already submitted the period end MFRR with relevant documents and after review by the Contract and Grants team, the NGOs have refunded the unspent fund balance to SSFP. After the completion of the review, the issue of questioned costs was settled and the organizations refunded all unallowable cost of Tk.46,620 from grants and Tk 129,316 from program income. Closeout certification has been provided to all grantees after completing the process.

viii) RFA published and Agreement Signed:

Action
For the first phase of funding, all grantees were given the opportunity to submit their proposal. The following are the activities and time frame for consideration/finalization of RFA:

1. From March 9 to March 20, SSFP invited franchisees to attend a business plan workshop with the objective of teaching grantees about the new business/franchise model and how to design their business plan.
2. On March 13, RFA 001- NGO Franchise Conversion and Service Delivery RFA was issued.
3. Until March 23, SSFP received questions from the grantees and responded to them with an amendment to the RFA and answers to their questions.
4. On March 27, the 30 NGOs submitted their first draft of the business plans.
5. Five teams (consisting of three SSFP staff in each) were formed to review and comment on the viability and accuracy of business plans and provide feedback to the NGOs.
6. On April 12, the final proposals were received.
7. The assigned teams reviewed the RFA, business plan, and financial projection. Feedback was sent to the grantees for required amendments. The whole process continued from April 12 to May 31, 2008

8. SSFP submitted grants approval request to USAID in batches starting from May 26, 2008.
   a. SSFP received USAID approval on June 18, 2008, for all 30 grantees.
9. The grants team developed the grant agreement and the signing completed by July 10, 2008.

Results

The process for the new phase of funding under the franchise model was completed and the agreement was signed. The franchisees are now under the new agreement and pledged to carry out the health program under franchise system.

The franchisees are proceeding towards self-sustainability.